

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15 STR-05

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R 291505Z SEP 77

FM AMCONSUL DUSSELDORF

TO SECSTATE WASHDC 3292

INFO USMISSION USBERLIN

AMEMBASSY BONN

AMCONSUL BREMEN

AMEMBASSY BRUSSELS

AMCONSUL FRANKFURT

USMISSION GENEVA

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

UNCLAS DUSSELDORF 1509

USMTN, USEEC

E.O. 11652: N/A

TAGS: EIND, EMIN, GW

SUBJECT: GOVERNMENT AID PROPOSED FOR GERMAN STEEL MILLS

1. SUMMARY. SUBSTANTIAL GOVERNMENT SUBSIDIES TO THE DEPRESSED WEST GERMAN STEEL INDUSTRY, WHICH HAS LOST ABOUT 38 PERCENT OF THE DOMESTIC MARKET TO FOREIGN SUPPLIERS, HAVE BEEN PROPOSED BY NORTH RHINE WESTPHALIA'S MINISTER-PRESIDENT, HEINZ KUEHN. THE KUEHN PLAN WOULD ALSO PROVIDE SOME RELIEF TO THE EQUALLY DEPRESSED COAL INDUSTRY. NORTH RHINE WESTPHALIA ACCOUNTS FOR THE BULK OF WEST GERMAN COAL AND STEEL PRODUCTION. END SUMMARY.

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2. MINISTER-PRESIDENT HEINZ KUEHN OF THE NORTH RHINE WESTPHALIAN (NRW) STATE GOVERNMENT HAS PROPOSED A PROGRAM OF GOVERNMENT SUBSIDIZATION AIMED AT HELPING THE WEST GERMAN STEEL PRODUCERS SELL AN ADDITIONAL FOUR MILLION TONS OF STEEL AT COMPETITIVE PRICES OVER THE NEXT SIX MONTHS. UNDER THE KUEHN PLAN, THREE MILLION

TONS OF COKING COAL FROM THE NATIONAL EMERGENCY RESERVE WOULD BE SOLD TO STEEL MILLS AT TWO-THIRDS OF THE CURRENT MARKET PRICE (CURRENTLY ABOUT DM 150 PER TON), WITH THE DIFFERENCE TO BE MADE UP BY GOVERNMENT.

3. THE EQUALLY DEPRESSED GERMAN COAL INDUSTRY WOULD ALSO RECEIVE A SHOT IN THE ARM UNDER THE KUEHN PROPOSAL SINCE THE EMERGENCY COAL RESERVE WOULD HAVE TO BE BROUGHT BACK TO REQUIRED LEVELS BY PURCHASES FROM THE COAL INDUSTRY'S OWN EXCESS STOCKS (OVER TWENTY MILLION TONS) OF COAL AND COKE.

4. KUEHN HAS ANNOUNCED HIS INTENTION TO DISCUSS HIS PROPOSAL WITH FRG OFFICIALS IN BONN AND WITH THE GERMAN MINEWORKERS UNION.

5. COMMENT: THE BONN GOVERNMENT, AS A CHAMPION OF FREE TRADE, MAY BE HARD PRESSED TO SUPPORT THE NRW LEADER'S PROPOSAL. HOWEVER, THE WEST GERMAN STEEL INDUSTRY IS SUFFERING FROM SEVERE COMPETITION FROM FOREIGN PRODUCERS, MANY OF WHOM ENJOY CONSIDERABLE ASSISTANCE FROM THEIR NATIONAL GOVERNMENTS. FOREIGN SUPPLIERS ARE NOW BELIEVED TO ACCOUNT FOR ABOUT 38 PERCENT OF THE WEST GERMAN STEEL MARKET.DUX

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